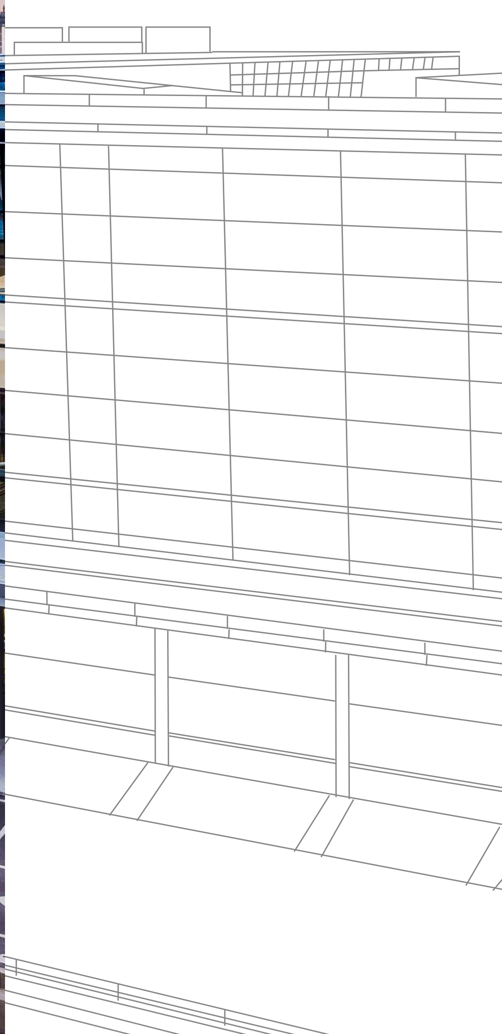
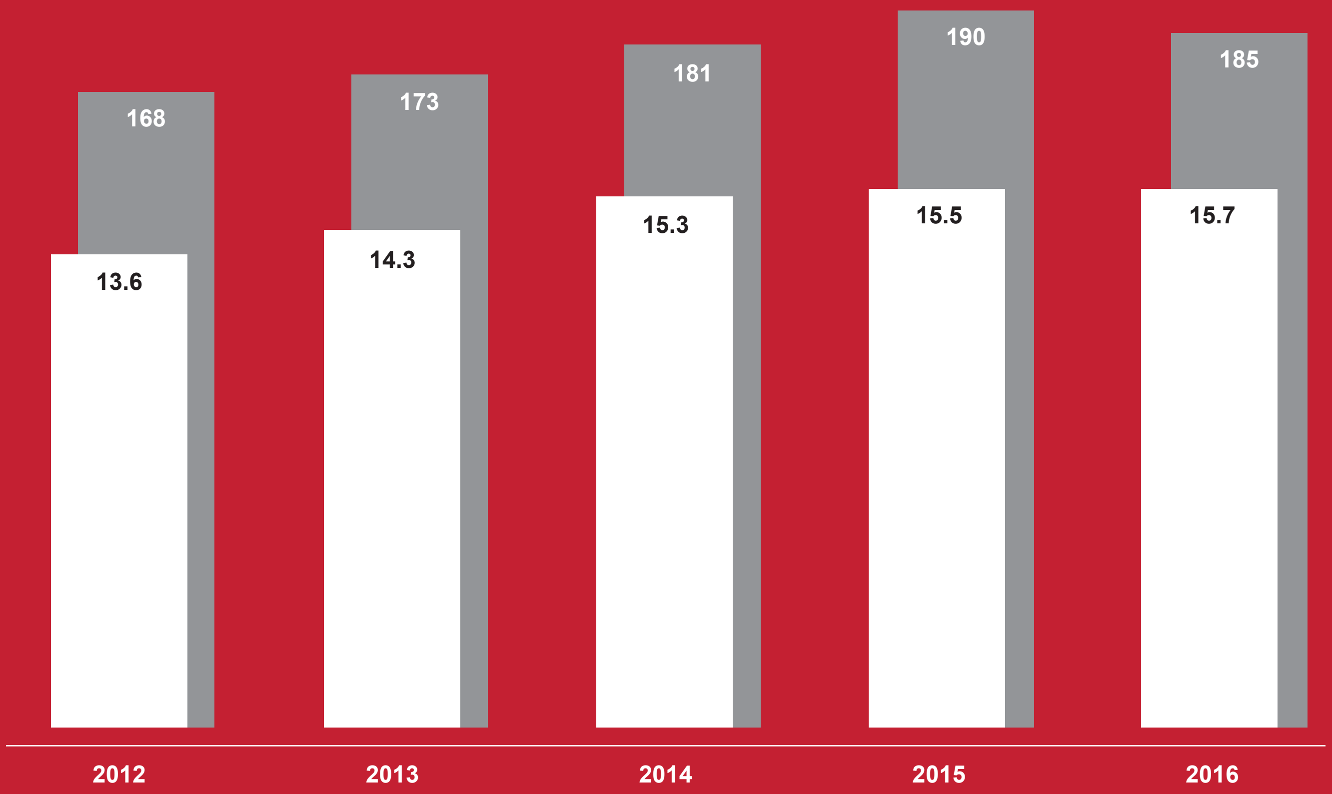
YYC CALGARY AIRPORT AUTHORITY

THE FUTURE HAS ARRIVED

2016 ANNUAL REPORT





TOTAL AIR CARRIER MOVEMENTS (THOUSANDS)

TOTAL PASSENGERS (MILLIONS)

FIVE-YEAR OUTLOOK (MILLIONS OF DOLLARS)	**2017**	**2018**	**2019**	**2020**	**2021**
Total Revenues	407	425	443	460	479
Operating Expenses	165	166	169	172	176
Transport Canada Rent	40	42	44	47	49
Capital Expenditures	150	121	95	99	134

THE FUTURE HAS ARRIVED

2016 ANNUAL REPORT

ROBERT (BOB) SARTOR
President & CEO,
The Calgary Airport Authority

MEL F. BELICH, QC
Board Chair,
The Calgary Airport Authority

OPERATIONS REVIEW & OUTLOOK

2016 was a milestone year for The Calgary Airport Authority and YYC Calgary International Airport with the completion of the International Terminal Building (ITB), which opened successfully on October 31, 2016. Now officially named 'YYC Calgary International Airport,' YYC ushered in a new era for air travel in Calgary when international and U.S.-destined flights moved to the new ITB. Equipped with 24 additional aircraft gates and North America's first call-to-gate operation, the ITB introduced some of the most technologically and operationally-advanced airport systems in the country.

Despite a challenging economic year for Calgary and Alberta, YYC welcomed 15.7 million passengers, setting another record for passenger volumes, while air cargo volumes grew by 1.7 per cent to a record 137,255 metric tonnes. Total revenues increased 3.9 per cent to $390 million, while direct operating expenses increased 22.4 per cent to $134.7 million. Federal rent payable under the ground lease increased 4.7 per cent to $38.9 million and outstanding debentures as at December 31, 2016 totalled $2.8 billion.

With increases in passenger volumes and cargo activity, 2016 was another year where YYC welcomed new routes, new aircraft and new airlines:

- WestJet introduced its first transatlantic destination from Calgary, launching its London, Gatwick flight in May. The new year-round service operates five times a week. The airline also introduced seasonal service to Thunder Bay and announced 2017 services to Mesa, Arizona and Nashville, Tennessee.
- Air Canada continued to grow at YYC in 2016 and launched a new seasonal service to San Francisco, California. The airline also introduced the 787 Dreamliner aircraft to its London, Frankfurt and Tokyo routes at YYC.
- Hainan Airlines launched its year-round non-stop flight to Beijing. The inaugural flight introduced Alberta's first and only passenger service to China.
- Aeromexico announced year-round service to Mexico City with flights starting in June 2017. The new service will bring additional tourism, travel and other economic benefits to Alberta.
- British Airways celebrated its 10-year anniversary at YYC.
- KLM Airlines introduced a 787 Dreamliner on its YYC-Amsterdam route.

Seasonal and charter options also continued to grow at YYC:

- Sunwing Airlines introduced Cuba and Costa Rica to its winter service.
- YYC welcomed back Edelweiss with its seasonal summer service to Zürich.
- Korean Air/Hanjin Travel once again offered charter service to Incheon Airport in the summer of 2016.
- New Leaf offered a December charter service to Hamilton and Abbotsford airports.

Air cargo activity also increased in 2016 with several partners celebrating milestones:

- Cargojet and FedEx expanded services by upgauging to larger aircraft and by adding additional frequencies.
- DHL tripled the size of its Calgary sort facility by relocating to its new on-airport location, expanding to 37,500 square-feet.
- Cargolux celebrated its 15-year anniversary at YYC.
- The International Animal Lounge marked its one-year anniversary.

Commercial and industrial land development was another area of focus throughout 2016. Phase five of the 30,000 square-foot multi-tenant Aviation Crossing Development and phase two of YYC's multi-tenant cargo building were both completed. YYC also continued to welcome additional hotels, with the opening of the new Calgary Airport Marriott In-Terminal Hotel that began operations in September 2016. The Westin Hotel and Conference Centre also broke ground on airport lands in the fall of 2016 and is set to open in late 2017.

In conjunction with opening a state-of-the-art new International Terminal, the commercial and retail program evolved in 2016, as the Authority introduced 50 new shops, services and restaurants to the airport. The program's transition started in October as teams began redesigning the Domestic Terminal retail program and relocating some of the current retail offerings to the ITB. The program will continue to evolve as operations grow within the expanded YYC Air Terminal Building (ATB).

The opening of the ITB saw the associated addition of more de-icing surfaces and required the construction of a new glycol capture and recycling facility, as well as the development of an environmental plan to treat and manage the aircraft de-icing by-product. Following extensive consultation and planning with airline stakeholders, the Calgary Glycol Facilities Corporation agreed to construct and operate the new facility. The lease and operating plan was finalized and in place for the first snowfall of 2016.

Within the ATB, the implementation of a new Power Control System was successfully completed in 2016. This project further increased YYC's electrical system reliability and will minimize interruptions when utility outages occur. Additionally, system changes were completed in 2016 to allow for the installation of two high-speed Static Transfer Switches (STS) in early 2017, which will ensure further reliability to the YYC electrical system.

Springbank Airport (YBW) continued to be a major flight training facility, increasing its traffic by 3.6 per cent with 156,996 aircraft movements, making it one of Canada's busiest and most prestigious general aviation airports. Additionally, the airport served as a training site for Calgary Police who conducted Tactical Team and K9 training exercises, giving multiple security agencies the opportunity to practice police response procedures in the unique airport environment.

The Calgary Airport Authority was once again acknowledged as one of Alberta's Top Employers in 2016. This was the seventh time that the Authority was recognized for its commitment to creating one of the best places to work in Alberta, all while maintaining and operating one of Canada's busiest airports. Our incredible 'YYC Crew' continued to spend time in the community we serve, preparing and serving meals monthly at the Mustard Seed, volunteering for the annual Dreams Take Flight event and playing the role of Secret Santa to 65 well-deserving seniors.

The Authority and YYC Crew also raised money for several charitable organizations and donated their time to support a number of causes:

- As part of the ITB opening, guests contributed to fundraising initiatives for the Calgary Food Bank raising $112,000 for this important Calgary organization.
- Team YYC raised $40,000 for the Canadian Red Cross in support of those affected by the wildfires in Fort McMurray.
- $16,000 fundraised for the Heart and Stroke Foundation, the largest amount of money raised of any corporation participating in the Big Bike Challenge as part of the Calgary Corporate Challenge.
- Sponsored a $10,000 Parks Explorer bike in support of Camp Horizon with eight YYC Crew members joining a young girl on her first trip to the top of Moose Mountain.
- Hosted the first junior UPS plane pull in support of the United Way.

The Authority's strong commitment to maintaining a safety culture was acknowledged in 2016. The Authority engages a third-party safety audit team to review and report on safety practices and processes annually. YYC received a 97 per cent rating on its health and safety program, which demonstrated that Authority staff have integrated safety procedures and practices into the work they perform on a daily basis. The Canadian Society of Safety Engineering (CSSE) also awarded the Authority its 'Special Project Award' for its strategic implementation of safety initiatives in the construction of the new Connections Corridor at YYC. This recognition for elevating safety procedures can be attributed to the hard work and dedication of our exceptional YYC Crew and our continued commitment to a building a safety culture.

The 424 White Hat Volunteers also continued to play an important role in creating a positive passenger experience at YYC. This world-famous program commemorated two significant milestones in 2016 as it celebrated 25 years since its first white hat welcome in 1991. For more than two decades, White Hat Volunteers have been a key part of the airport community, helping millions of guests that arrive, depart and connect through YYC. The second milestone came on December 26, 2016, when the White Hat Volunteer program reached 1,000,000 hours of volunteer service. These dedicated volunteers also worked side-by-side with the new YYC Customer Care Ambassador team that was introduced in 2016 to provide assistance to YYC travellers in the new International Terminal Building.

After leading the organization through yet another busy and successful year, and with 40 years of service and leadership, Mr. Garth Atkinson retired as President & CEO of The Calgary Airport Authority on December 31, 2016. Mr. Bob Sartor was announced as his successor and officially took over the leadership of YYC on January 1, 2017. Mr. Atkinson's contributions to YYC over the years were broad and deep as he guided the Authority through a period of unprecedented growth, and his dedication to the organization has left a remarkable legacy to be greatly appreciated.

In 2016, YYC and YBW continued to play a significant role in driving the local economy. The addition of almost 2,000 new jobs with the opening of the ITB further enhanced the airport's economic impact, which adds $8.28 billion in gross domestic product to the city and region and creates more than 48,000 jobs.

OUTLOOK FOR 2017

2017 will be another busy year at YYC. The Authority's 2017 capital budget program will be approximately $150 million. In addition to the high-speed Static Transfer Switches, YYC has started the implementation of the new baggage handling system in the Domestic Terminal, designed to fully integrate with the system now operating in the ITB by 2019. The program also includes ongoing renovations to the YYC Domestic Terminal with the development of new check-in facilities and upgrades to Concourse B.

Further enhancements include:

- IT systems and infrastructure
- Completion of electrical facility improvements
- Completion of the glycol treatment facilities

The Calgary Airport Authority will celebrate 25 years of leading the growth and development of YYC and 20 years driving the evolution of YBW in 2017. Over more than two decades, the Authority has invested heavily in both YYC and YBW airports, making YYC an international passenger and cargo hub, and creating one of Alberta's premier general aviation facilities.

2017 will remain a year in which the Authority is focused on operational efficiency and working with airline partners on their operations and expansion plans at YYC. Additionally, the Authority looks forward to welcoming the new airlines and destinations that were announced in 2016 as it continues to work with partners to connect Albertans to the world. The Authority will also continue to undertake initiatives that are focused on safety and security, and the environment, and will expand and diversify commercial revenue.

Robert (Bob) Sartor
President & CEO,
The Calgary Airport Authority

Mel F. Belich, QC
Board Chair,
The Calgary Airport Authority

STRATEGIC CONTEXT

MANDATE

We will:

- Manage and operate the airports for which we are responsible in a safe, secure and efficient manner
- Advance economic and community development by means that include promoting and encouraging improved airline and transportation service and an expanded aviation industry

For the general benefit of the public in our region.

OUR VISION

To be The Aviation Hub of Choice—connecting people and prosperity.

We are an aviation hub; our business is airports. In an increasingly competitive landscape, we know people have a choice and we want people to choose YYC — a hub of economic activity, a trusted neighbour, a gateway to possibilities, a place where people, purpose and commerce connect.

AIRPORT ROLE STATEMENTS

YYC CALGARY INTERNATIONAL AIRPORT

As one of Canada's busiest airports, YYC Calgary International Airport (YYC) is an important component of the Canadian civil air transportation system. The airport functions as an important hub for domestic, transborder and international passengers and air cargo. Working within the framework of the Regional Airports Authorities Act (Alberta), The Calgary Airport Authority is responsible for operating the facility in a safe and financially self-sufficient manner for the benefit of our region, Canada and the international community. The operation, development and capacity management of YYC will be directed to supporting commercial and corporate air transport operations and their associated services.

SPRINGBANK AIRPORT

Springbank Airport (YBW) is a certified aerodrome and the most significant general aviation airport in the Calgary region. The operations and development of Springbank Airport will be directed to supporting light aircraft activity, including flight training, recreational flying, corporate and air charter activity and compatible aircraft maintenance, manufacturing and support operations.

KEY STRATEGIC OBJECTIVES

YYC's strategy is to grow the hub by focusing on four key strategic objectives. These objectives will position YYC, YBW and its many partners for continued success.

1. Safe, Secure and Efficient Operations

Safe, secure and efficient operations are essential as the Authority continues to grow YYC as Alberta's passenger and cargo hub. Our organization is focused on operational excellence at YYC and providing a positive experience for our customers.

We will ensure safe, secure and efficient operations at YYC through:

Integrated operations and safety systems

Safety management systems ensure a broad, systemic and proactive approach is taken in creating and maintaining a safe environment – for our employees, partners and customers.

Security systems and procedures are aligned with other agencies to provide a seamless approach to airport security.

Emergency response processes and procedures are well documented and rigorously tested on a regular basis in cooperation with city and provincial agencies, airlines and other partners.

Leveraging technologies and information

Technology systems are designed to be secure and redundant and are constantly being upgraded to support the requirements of our organization and partners.

Constant vigilance

The Authority maintains 24/7/365 oversight through the Airport Duty Manager office. By ensuring the daily operations are well coordinated, the Authority is able to respond quickly to all operational matters at YYC.

Operational teams are dedicated to keeping all airfield, terminal and groundside facilities functioning safely and effectively.

Sustainability

The Authority is committed to being a good environmental steward and manages a number of programs that are designed to protect the environment. The Authority's environmental practices are based on a rigorous process of plans, procedures and monitoring. All new construction projects are subject to an environmental review and new technologies are continually tested in order to find new ways of minimizing our environmental footprint.

Continuous improvement

The Authority continues to pursue business practices that improve our efficiency and effectiveness. This focus means the easy adaptation and response to changing situations and requirements in an ever-evolving industry.

2. Capacity, Connectivity and Passenger Experience

The Authority recently completed a major expansion program that includes a new International/U.S.-destined terminal that adds two million sq. ft. of space to YYC, and includes a new 14,000 foot runway, which opened in 2014. Both projects add significant capacity to YYC and the wider Canadian air transportation system.

As a growing airport, the Authority is focused on ensuring passengers and their baggage at YYC move and connect efficiently and effectively. With work continuing in the Domestic Terminal and a focus on working with local agencies, airlines and service providers, the Authority will deliver a simplified passenger experience that is both satisfying and memorable for the millions of people travelling through YYC.

3. Commercial Growth and Development

Growing YYC's commercial portfolio is key to a successful hub strategy. The Authority is focused on three key components:

Passenger route network development

Calgary is exceptionally well served today with more passenger seats per capita than any city in Canada of comparable size. The Authority works with passenger airline partners to add new routes which provide the most strategic value to Alberta's business and tourism industries.

Cargo route network development

YYC is one of North America's leading cargo hubs with an extensive cargo network. The Authority leverages this significant base of operations at YYC to expand international all-cargo networks, supported by the synergistic growth of logistics and warehouse facilities within the Global Logistics Park.

Commercial revenue development

A strong portfolio of commercial revenues is essential to the Authority's long-term strategy of maintaining competitive aviation fees and operating YYC as a hub airport for airlines. The new International Terminal and hotel will provide significant opportunities for growth in the service sector. The Authority will continue to be a strategic developer of airport land, to ensure that development occurs in harmony with short and long-term business objectives.

4. Investing in our People

The Authority's employees – YYC Crew – are a dynamic and diverse team, committed to the success of YYC and YBW. YYC Crew are the foundation of our airports' future success. By investing in our people, we have the talent we need to ensure our airports continue to grow and develop for the benefit of our community.

We will invest in our people through three key strategies:

Attract the best talent

YYC and YBW airports are growing and so must our organization. YYC has a plan to proactively attract and retain the right talent to support a successful organization for the future.

Maintain a competitive edge

In an industry that continually changes and an airport that continues to grow, the expectations placed on our YYC Crew members are constantly evolving. We are focused on providing our Crew with the right support, tools, training and development to continually enhance the skills and competencies needed for success.

Deliver best-in-class initiatives

The Authority offers our Crew first-rate orientation programs, competitive salary and benefit packages, ongoing professional development and numerous opportunities to give back to the community. We are focused on maintaining and developing programs that meet the needs of our Crew and nurture a culture where employees are recognized and valued for their contributions.

CORPORATE GOVERNANCE

BOARD OF DIRECTORS
(as of December 31, 2016)

Mel F. Belich
Board Chair

Terry L. Allen

Larry M. Benke

David C. Blom

Michael F. Casey

Donald G. Cormack

Kristine L. Delkus

Wendelin A. Fraser

Matthew R. Heffernan

Richard J. Hotchkiss

Donald R. Ingram

Heather E. Kennedy

Ken M. King

Grant B. MacEachern

James M. Midwinter

Laura M. Safran

Murray Sigler

CORPORATE SERVICE PROVIDERS

The Toronto-Dominion Bank
Corporate Bank

Alberta Capital Finance Authority
Corporate Financing

Carscallen LLP
Corporate Legal

Walsh LLP
Corporate Legal

PricewaterhouseCoopers LLP
Corporate Auditor

Willis Towers Watson
Corporate Pension Actuary

CORPORATE OFFICERS
(as of December 31, 2016)

Garth F. Atkinson
President & Chief Executive Officer

Bernie R. Humphries
Vice President, Operations

Mike P. Maxwell
Vice President & Chief Information Officer

Marco A. Mejia
Vice President, Planning & Engineering

Robert J. Palmer
Vice President, Finance & Chief Financial Officer

Cynthia M. Tremblay
Vice President, Human Resources

ACCOUNTABILITY

The corporate governance processes of the Authority are structured to promote the purposes and business of the Authority as set forth in the Regional Airports Authorities Act (Alberta).

Pursuant to the Authority's Articles of Incorporation, the following four bodies appoint Directors to the Board:

- The Long Range Planning Committee of the Calgary Chamber of Commerce, which has 10 members appointed to the Board
- The Corporation of The City of Calgary, which has three members appointed to the Board
- The Government of Canada, which has two members appointed to the Board
- Rocky View County, which has one member appointed to the Board

The following Board member changes occurred in 2016:

- David C. Blom, appointed August 2016
- Donald G. Cormack, appointed August 2016
- Richard J. Hotchkiss, reappointed August 2016
- Wendelin A. Fraser, reappointed October 2016
- Beverley K. Foy, term ended August 2016
- Mel F. Belich, term ended August 2016; reappointed as Board Chair by the Board of Directors August 2016

BOARD COMMITTEES

The Authority's Board of Directors has committees tasked with general oversight in specific areas. The committees and their respective chairs as of December 31, 2016, were:

Audit and Finance	Terry L. Allen
Governance and Compensation	Wendelin A. Fraser
Infrastructure Development	Larry M. Benke
Nominating	Richard J. Hotchkiss
Business Development	Donald R. Ingram
Operations, Safety, Health and Environment	Murray Sigler

PUBLIC AND STAKEHOLDER ACCOUNTABILITY

The Authority strives to achieve an optimal level of public and stakeholder accountability. The processes involved in achieving this level of accountability include:

- A public Annual General Meeting;
- A published Annual Report, including audited financial statements;
- An independent review of management operations and financial performance every five years, including a published report;
- Individual annual meetings with all Appointer organizations which are attended by the Board of Directors, senior management and external auditors;
- Compliance with the Canada Lease;
- Regulatory compliance;
- Meetings with key stakeholders;
- Public notice of fee changes;
- A community consultative committee;
- An accessibility advisory council;
- Meetings with airport operators and tenants; and
- Meetings with civic officials and community organizations.

CODE OF BUSINESS CONDUCT AND CONFLICT OF INTEREST POLICY

The Authority Board of Directors has adopted a Code of Business Conduct and Conflict of Interest Policy. All Directors sign an attestation on an annual basis indicating knowledge of and compliance with this Policy.

CONTRACT REPORTING

The Authority reports on contracts in excess of $130,000 that were not awarded on the basis of a competitive bid process. In 2016, the following contracts met these criteria:

Contract Description	Organization	Contract Values	Reason
Operations and maintenance of baggage handling systems	Beumer Group Canada Corporation	$1,729,721	Proprietary Service and Equipment Provider
Total performance support of baggage handling system for first two months of operations	Beumer Group Canada Corporation	$372,609	Proprietary Service and Equipment Provider
Provision of electrical services and equipment	Enmax Power Corporation	$515,350	Proprietary Service and Equipment Provider
Provision of electrical services and equipment	Enmax Power Corporation	$193,103	Proprietary Service and Equipment Provider
Provision of electrical services and equipment	Enmax Power Corporation	$132,067	Proprietary Service and Equipment Provider
Update to airport signage for ITB opening	The City of Calgary	$262,940	Proprietary Product Provider
Long-term automatic doors service	Stanley Access Technologies	$236,293	Proprietary Service and Equipment Provider

CORPORATE GOVERNANCE PRACTICES

The Airport Authority is governed by a 16-member Board of Directors appointed by four organizations; the Long-Range Planning Committee of the Calgary Chamber of Commerce (10), the City of Calgary (3), the Federal Government (2) and Rocky View County (1).

Our Board make-up consists of some of the best finance, business and aviation expertise, with global for-profit and non-profit business experience. Its make-up is well rounded with appointments coming from the business community and government stakeholders and they are driven to ensure the airports' success while advancing our city and region's economic and community development.

The Board of Directors of the Authority have a corporate governance framework that aligns with best practices for effective corporate governance. The framework provides a structure of authority and accountability to enable the Board and Management to make timely and effective decisions, with the aim of fulfilling the stated purposes of the Authority, as set forth under the Regional Airports Authorities Act (Alberta). The Board is responsible for fostering the long-term success of the Authority, for its stewardship, for compliance with applicable laws and for promoting ethical conduct, integrity and transparency. The Directors exercise sound judgment relevant to the Authority's activities, understand fiduciary responsibilities, have advocacy and consensus-building skills and abilities that complement other Board members, and are willing to devote sufficient time to the work of the Board and its committees.

The following information relates to the current corporate governance practices of the Authority:

1. The Board has adopted a strategic-planning process that includes long-term facility development and financial plans. Critical elements of these plans are reviewed by the Board on an annual basis in conjunction with the establishment of annual goals and budgets.
2. The Board is composed exclusively of unrelated, non-management Directors. Each Director must sign the Authority's Code of Business Conduct and Conflict of Interest Policy on an annual basis and follow the procedures prescribed therein with respect to disclosure of any potential conflict of interest. When a potential conflict of interest arises, the Director does not participate in any Board activities related to such potential conflict.
3. The Board has six committees and each committee has Board-approved terms of reference, an annual due diligence work plan and a chair who reports directly to the Board on the committee's activities. The Board's Chair and Governance and Compensation Committee ensure the Board's independence is respected and preserved. The Board also employs a full-time executive assistant.
4. The Authority has a number of systems in place to identify, manage and mitigate various risks, including:
   - An organizational structure with dedicated safety, security, and emergency planning and response personnel;
   - Corporate policies and plans covering key governance, strategic, operational and financial issues;
   - Risk transfer through contract;
   - Environmental protection, including air and water quality, solid waste and hazardous materials management, natural resources and endangered species;
   - Incident reporting, including response and remedial procedures;
   - Comprehensive Safety Management System policies, processes and procedures; and
   - Comprehensive insurance, audit and compliance programs.
5. The Board appoints the President & Chief Executive Officer (CEO). Succession planning, including the appointment, training and evaluation of senior management, is regularly monitored by the Governance and Compensation Committee.
6. The Authority has a communications and stakeholder relations program which includes communication processes associated with the general public, industry stakeholders, all levels of government, appointing organizations and Authority employees.
7. The Authority has a comprehensive management information and reporting system in place, which includes regular reporting to the Board on key financial and operational results.
8. Board appointments are made by four Appointers in accordance with the Regional Airports Authorities Act (Alberta). The Authority's Nominating Committee is responsible for providing a list of qualified nominees to the Board for submission to the Long Range Planning Committee of the Calgary Chamber of Commerce for its decision and appointment. It is also the practice of the Nominating Committee to provide suggestions regarding qualified candidates to the other three Appointers.
9. The Board has a self-evaluation process in place to review the performance of the Board and Board committees. The Authority's Governance and Compensation Committee reviews the remuneration of Directors periodically, taking into account time commitments, the scope of the responsibilities and Directors' fees at comparable airports and/or other relevant businesses.
10. Each new Director receives a comprehensive orientation, which includes a meeting with corporate counsel, facility tours and information regarding Board and corporate operations. Each Director is provided with a Directors' Handbook containing relevant reference material and receives ongoing education on relevant topics.
11. A Role Statement has been developed for the Board of Directors, and position descriptions have been developed for the Board Chair and the CEO. An Authorities Framework Document, approved by the Board, defines management authorities. The Authority's corporate objectives are approved by the Board, and the CEO is assessed by the Board against these objectives on an annual basis.

12. The Authority's Governance and Compensation Committee is responsible for the monitoring of corporate governance issues and ensuring the most current applicable governance standards are recommended for Board approval. The committee's other responsibilities include:
    - Continuing assessment of the Authority's compensation policies and related practices; and
    - Providing oversight and guidance with respect to the Authority's public and governmental affairs programs.
13. All members of the Authority's Audit and Finance Committee are independent Directors. The majority of the committee members, as well as the committee chair, are required to be financially literate. The committee's responsibilities include:
    - Review of financial management policies and issues, including annual budgets; banking arrangements; accounting systems and procedures; internal financial controls, including fraud-risk programs; fees to airport users; significant changes to relevant legislation and accounting standards; insurance policies; statutory remittances; pension plan policies and performance; quarterly financial status reports; oversight of litigation claims, and corporate-level financial risks and issues;
    - Monitoring of the external and internal audit programs and preparation of the annual financial statements; and
    - Recommending the annual appointment of the external auditor.
14. Board committees have the authority to retain advisors and consultants as they deem necessary to discharge their responsibilities.

BOARD AND COMMITTEE MEETINGS

For the period of January 1 to December 31, 2016, committee and board meeting attendance by Board members averaged 90 per cent.

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of The Calgary Airport Authority

We have audited the accompanying financial statements of The Calgary Airport Authority, which comprise the balance sheets as at December 31, 2016 and 2015 and the statements of operations and net assets and cash flows for the years then ended and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for private enterprises and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of The Calgary Airport Authority as at December 31, 2016 and 2015 and the results of its operations and its cash flows for the years then ended in accordance with Canadian accounting standards for private enterprises.

PricewaterhouseCoopers LLP

Chartered Professional Accountants
March 22, 2017
Calgary, Alberta

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The management of The Calgary Airport Authority (the "Authority") is responsible for the preparation and fair presentation, in accordance with Canadian accounting standards for private enterprises, of the financial statements. The financial statements and notes include all disclosures necessary for a fair presentation of the financial position, results of operations and cash flows of the Authority in accordance with Canadian accounting standards for private enterprises, and disclosure otherwise required by the laws and regulations to which the Authority is subject.

The Authority's management maintains appropriate accounting and internal control systems, policies and procedures which provide management with reasonable assurance that assets are safeguarded and that financial records are reliable and form a proper basis for the preparation of the financial statements. These financial statements also include amounts that are based on estimates and judgements, which reflect currently available information.

The financial statements have been audited by PricewaterhouseCoopers LLP, an independent firm of chartered professional accountants, who were appointed by the Board of Directors.

The Audit and Finance Committee of the Board of Directors is composed of eight directors who are not employees of the Authority. The Committee meets periodically with management and the independent external auditors to review any significant accounting, internal control and auditing matters. The Audit and Finance Committee also reviews and recommends the annual financial statements of the Authority together with the independent auditor's report to the Board of Directors which approves the financial statements.

Robert (Bob) Sartor
President & Chief Executive Officer

Robert J. Palmer
Vice President, Finance and Chief Financial Officer

March 22, 2017
Calgary, Alberta

BALANCE SHEETS

thousands of Canadian dollars					**As at December 31**
	NOTE		**2016**		**2015**
Assets					
Current Assets:					
Cash and short-term investments		$	36,944	$	206,722
Accounts receivable			34,366		30,749
Inventories	3		5,630		4,387
Prepaid expenses	17		4,093		2,430
			81,033		244,288
Capital and Intangible Assets	4		3,408,128		3,020,676
Pension Asset	12		23,067		24,649
Other Assets			1,181		1,763
		$	**3,513,409**	**$**	**3,291,376**
Liabilities and Net Assets					
Current Liabilities					
Accounts payable and accrued liabilities	6	$	135,003	$	157,671
Interest payable on long-term debt			21,230		20,424
Deferred revenue			1,504		1,072
Current portion of other long-term liabilities	7		1,837		1,893
Current portion of long-term debt	9		75,000		-
			234,574		181,060
Other Long-term Liabilities	7		1,758		1,748
Pension Liability	12		16,382		14,278
Long-term Debt	9		2,740,901		2,605,901
			2,993,615		2,802,987
Net Assets			519,794		488,389
		$	**3,513,409**	**$**	**3,291,376**

Commitments and contingencies (Notes 5, 9, 11, and 17)

Approved on behalf of the Board:

Mel F. Belich,
Chair

Terry L. Allen,
Director

(See accompanying notes to the financial statements)

STATEMENTS OF OPERATIONS AND NET ASSETS

thousands of Canadian dollars			**Year ended December 31**
	NOTE	**2016**	**2015**
Revenue:			
Airport improvement fees		$ 147,949	$ 147,785
Concessions		57,265	53,441
General terminal fees		53,994	49,499
Car parking		42,704	43,675
Aircraft landing fees		41,719	38,971
Other aeronautical fees		18,734	18,559
Land rental		17,423	16,234
Terminal space rental		5,813	5,479
Other revenue		4,423	1,882
		390,024	375,525
Expenses			
Amortization of capital assets		122,528	107,325
Goods and services		92,806	75,922
Interest	16	47,166	40,767
Canada Lease	11	38,902	37,145
Salaries and benefits		30,666	25,680
Property taxes		11,231	9,477
Airport improvement fee collection costs		5,899	5,898
Amortization of intangible assets		4,355	2,446
		353,553	304,660
Earnings from Operations		36,471	70,865
Other Income (Loss):			
Realized and unrealized change in fair value of forward starting interest rate swap contracts	8	-	(4,897)
Post-employment pension benefits	12	(5,066)	1,431
Net Income		31,405	67,399
Net Assets, Beginning of Year		488,389	420,990
Net Assets, End of Year		$ **519,794**	$ **488,389**

(See accompanying notes to the financial statements)

STATEMENTS OF CASH FLOWS

thousands of Canadian dollars				**Year ended December 31**
		2016		**2015**
Operations				
Net Income	$	31,405	$	67,399
Add (deduct) non-cash items:				
Amortization of capital assets		122,528		107,325
Amortization of intangible assets		4,355		2,446
Loss on disposals of capital assets		242		80
Accrued retiring allowance		(94)		(177)
Interest rate swap contracts realized and unrealized loss		-		4,897
Post-employment pension benefits		3,686		(2,910)
		162,122		179,060
Change in non-cash working capital:				
Accounts receivable		(3,617)		(1,424)
Inventories		(1,282)		(707)
Prepaid expenses		(1,663)		(101)
Accounts payable and accrued liabilities		(5,856)		(4,734)
Interest payable on long-term debt		806		1,941
Deferred revenue		432		276
Cash flow from operations		150,942		174,311
Financing				
Increase in long-term debt		210,000		375,000
Repayment of long-term debt		-		(75,000)
Interest rate swap contracts settlement		-		(30,696)
Other assets		582		562
Repayments of other long-term liabilities		48		219
Total financing activities		210,630		270,085
Investing				
Investment in capital and intangible assets		(514,658)		(536,590)
Recovery of interest rate swap contracts security		-		60,000
Proceeds from disposals		119		177
Change in accounts payable and accrued liabilities related to capital and intangible assets		(16,811)		18,667
Total investing activities		(531,350)		(457,746)
Decrease in cash		**(169,778)**		**(13,350)**
Cash and short-term investments, beginning of year		**206,722**		**220,072**
Cash and short-term investments, end of year	**$**	**36,944**	**$**	**206,722**
Cash and short-term investments consist of:				
Cash in bank	$	6,534	$	31,293
Short–term investments		30,410		175,429
	$	**36,944**	**$**	**206,722**

Supplementary Information (Note 16)

(See accompanying notes to the financial statements)

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2016 AND 2015

(thousands of Canadian dollars, except percentage)

1 DESCRIPTION OF BUSINESS

The Calgary Airport Authority (the "Authority") was incorporated in July 1990 under the Regional Airports Authorities Act (Alberta) (the "Act") as a non-share capital corporation. The mandate of the Authority, as defined in the Act, is to manage and operate the airports for which it is responsible in a safe, secure and efficient manner and to advance economic and community development by means that include promoting and encouraging improved airline and transportation service and an expanded aviation industry; for the general benefit of the public in its region.

The Authority has operated YYC Calgary International Airport since July 1992, under a lease from the Government of Canada (the "Canada Lease"). The Canada Lease has an initial term of 60 years with a 20-year option that was exercised in 2011. In October 1997, the Authority entered into a lease with the Government of Canada for the operation of Springbank Airport for a term concurrent with the Canada Lease term.

Pursuant to the Act, the Authority shall operate as a not-for-profit corporation and as such, the Authority reinvests all net income in the capital renovation and expansion requirements of the airports for which it is responsible. In addition to the investment of net income, the Authority is authorized to borrow to invest in airport infrastructure, and current borrowings are detailed in Note 9. Capital includes investment in both leasehold and freehold assets of the Authority, as detailed in Note 4. Renovation requirements are determined through life-cycle management processes and physical asset inspections, while expansion requirements are determined in reference to airport capacity and demand. Capital requirements are generally determined on an annual basis in conjunction with the Authority's Business Plan, although larger projects may involve financial commitments that extend beyond one year. The Authority conducts an annual re-evaluation of projected economic conditions and facility demand factors.

At December 31, 2016, the Authority was in compliance with all externally imposed requirements regarding the management of capital. Failure to comply with these requirements could potentially result in the Authority being deemed non-compliant with the terms of the Canada Lease, the Airport Improvement Fee Agreement (Note 2) and the Credit Agreement (Note 9).

2 SIGNIFICANT ACCOUNTING POLICIES

a) Accounting Standards for Private Enterprises

These financial statements have been prepared in accordance with Canadian Accounting Standards for Private Enterprises ("ASPE"), which sets out generally accepted accounting principles ("GAAP").

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, commitments and contingencies at the date of the financial statements and the reported amounts of revenues, expenses and other income (loss) during the reporting period. Actual results could differ from these estimates.

(thousands of Canadian dollars, except percentage)

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

b) Airport Improvement Fees

The Authority derives revenue from the Airport Improvement Fee (the "AIF"), which is collected by air carriers pursuant to an agreement among various airports in Canada, the Air Transport Association of Canada and air carriers serving Canadian airports that are signatories to the agreement (the "AIF Agreement"). Pursuant to the AIF Agreement, signatory airlines receive a 4% (2015 – 4%) collection fee of the AIF revenue at YYC Calgary International Airport. AIF revenue is used to fund the costs of new airport infrastructure and costs of major improvements to existing facilities at YYC Calgary International and Springbank Airports, as well as related financing costs, debt repayment and the collection fee retained by the signatory airlines. The Authority records the AIF revenue and AIF collection costs on a gross basis in the statement of operations and net assets. The AIF as at December 31, 2016 was $30.00 (2015 - $30.00) for each originating passenger departing YYC Calgary International Airport.

c) Cash and Short-term Investments

Cash and short-term investments comprising of pooled money-market funds are recorded at fair value.

d) Accounts Receivable

Accounts receivable are reported net of any allowance for bad debts that are estimated to occur. The allowance for 2016 was $65 (2015 - $36). Bad debt expense of $35 (2015 - $25) has been included in Goods and services in the Statements of Operations and Net Assets.

e) Inventories

Inventories of consumable supplies are stated at the lower of cost (cost being determined using the weighted average cost of materiel purchased) and net realizable value.

f) Capital and Intangible Assets

Capital and intangible assets are recorded at cost and amortized over their estimated useful lives at the following annual rates:

Vehicles	18-30%	declining balance
Machinery & equipment	5-30 years	straight-line
Computer equipment	3 years	straight-line
Furniture & fixtures	3-10 years	straight-line
Intangibles – computer software	3 years	straight-line

The various components of the air terminal building, other buildings and structures and roadways and airfield surfaces are amortized on a straight-line basis over 5 to 56 years, based on the estimated economic useful life of the component asset, limited to the term of the Canada Lease. These structural assets will revert to the Government of Canada upon the expiration of the Canada Lease.

The Authority has previously purchased Land for operational purposes and future development. The Canada Lease requires that at commencement of development the applicable Land be transferred to the Government of Canada at which time the Authority reclassifies the Land to Leased land and commences amortization on a straight-line basis over the remaining full fiscal years of the Canada Lease.

Construction work in progress is capitalized to Construction in progress at cost. Costs are transferred to the appropriate capital asset account, and amortization commences when the project is completed and the assets become operational.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

g) Impairment of Long-lived Assets

The Authority uses a two-step process for determining whether an impairment of long-lived assets should be recognized in the financial statements. If events or changes in circumstances indicate that the carrying value of a long-lived asset may have been impaired, a recoverability analysis is performed based on the estimated undiscounted future cash flows to be generated from the asset's operations and its projected disposition. If the analysis indicates that the carrying value is not recoverable from future cash flows, the long-lived asset is written down to its estimated fair value and an impairment loss is recognized in the statement of operations.

h) Capitalized Interest

Interest costs associated with the long-term debt utilized for the construction of capital assets are capitalized until the assets are placed in service. Once in service, the assets are amortized based on the life of the associated assets.

i) Employee Future Benefits

The Authority has a retirement pension plan for all permanent employees and term employees. New permanent employees are members of the plan upon hire. Term employees become members of the pension plan after completion of 24 months of continuous service. The retirement pension plan has both defined benefit and defined contribution components. The Authority does not provide any non-pension post-retirement benefits. Actuarial valuations for post-employment pension benefit plans are calculated annually by accredited actuaries using the projected benefits method. The related post-employment pension benefit asset/liability recognized in the statements of financial position is the present value of the post-employment pension benefit obligation at the balance sheet date less the fair value of plan assets, if any. The present value of the post-employment benefit obligations is determined by discounting the estimated future cash outflows using interest rates of high quality corporate bonds that have terms to maturity approximating the terms of the related pension liability for the non-registered plan and going concern discount rate for the registered plan that have terms to maturity approximating the terms of the related pension liability. Actuarial gains and losses are recognized in full in the period in which they occur, in net income. Current service costs are included in Salaries and benefits on the Statements of Operations and Net Assets. Past service costs are recognized immediately to the extent the benefits are vested. For funded plans, surpluses are recognized only to the extent that the surplus is considered recoverable. Recoverability is primarily based on the extent to which the Authority can unilaterally reduce future contributions to the plan. The change in the long-term pension benefit obligation in the year is recognized in the Statements of Operations and Net Assets.

j) Deferred Revenue

Deferred revenue consists primarily of land leasing, space rental and aeronautical fee revenue received in advance of land or facilities being utilized.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

k) Revenue Recognition

Aircraft landing, general terminal, other aeronautical fees and car parking revenues are recognized as the airport facilities are utilized. Concession revenues are recognized on the accrual basis and calculated pursuant to the related agreements if the amount to be received can be reasonably estimated and collection is reasonably assured. Rental income from land and terminal space is recognized at the commencement of each month when rent is due. Other income is recognized when earned or received. The AIF revenue is recognized when originating departing passengers board their aircraft as reported by the airlines.

l) Leases

The Canada Lease and Springbank Lease are accounted for as operating leases.

m) Financial Instruments

Cash, short-term investments, accounts receivable, accounts payable, security deposits, accrued liabilities, interest payable and demand operating loans are initially measured at fair value and subsequently carried at amortized cost. Long-term debt is initially measured at fair value and subsequently carried at amortized cost.

n) Fair Value

The fair value of the Authority's financial instruments, its long-term debt, approximates its carrying value due to their short-term nature. The realized and unrealized change in the fair value of the forward starting interest rate swap contracts (Note 8) is recognized in the Statements of Operations and Net Assets.

o) Forward Starting Interest Rate Swap Contracts

The Authority has utilized forward starting interest rate swap contracts (the "Swap Contracts") (Note 8) to manage interest rate risk on its anticipated future long-term borrowings associated with the major expansion of airport infrastructure. ASPE does not permit hedge accounting for Swap Contracts. The fair value of the outstanding forward starting interest rate swap contracts are disclosed separately in the Balance Sheets until the contracts are settled.

(thousands of Canadian dollars, except percentage)

3 INVENTORIES

At December 31, 2016, all inventories are carried at weighted average cost. During the year, $2.9 million (2015 - $3.1 million) was recognized as an operational expense in Goods and services, of which a nominal amount for obsolescence for both years was written off.

4 CAPITAL AND INTANGIBLE ASSETS

				2016				2015
		Cost		**Accumulated Amortization**		**Net Book Value**		**Net Book Value**
Capital Assets								
Land	$	3,303	$	-	$	3,303	$	3,303
Leased land		24,513		3,212		21,301		21,703
Air terminal building		2,923,138		660,270		2,262,868		533,347
Other buildings & structures		362,364		104,929		257,435		195,613
Roadways & airfield surfaces		800,304		194,988		605,316		556,373
Computer equipment		61,409		31,208		30,201		13,596
Vehicles		41,484		23,042		18,442		14,565
Machinery & equipment		73,582		17,887		55,695		15,433
Furniture & fixtures		24,119		8,203		15,916		7,799
Construction in progress		97,699		-		97,699		1,645,708
		4,411,915		1,043,739		3,368,176		3,007,440
Intangible Assets								
Computer software		65,648		25,696		39,952		13,236
	$	**4,477,563**	**$**	**1,069,435**	**$**	**3,408,128**	**$**	**3,020,676**

Interest capitalized in respect to borrowings for infrastructure expansion under the long-term debt facility was $50.0 million (2015 - $50.3 million). Included in Capital Assets are certain assets that are subject to commercial leases with third parties for varying periods of time including short-term (less than one year) to long-term durations (up to 56 years).

(thousands of Canadian dollars, except percentage)

5 OPERATING LINE OF CREDIT

The Authority has a $35.0 million operating line of credit (the "Operating Facility") bearing interest at the bank's prime lending rate plus 1.0%. The Operating Facility is unsecured and repayment terms are on demand. Letters of Credit drawn on the Operating Facility for specific operational expenses and capital projects amounting to $10.2 million were outstanding (2015 - $9.7 million). Standby fees on the unutilized portion of the Operating Facility are 30 bps (2015 - 30 bps). Prime loan margins are 60 bps (2015 - 60 bps); and banker's acceptance loan margin is 200 bps (2015 - 200 bps). Issued letters of credit have fees of 200 bps (2015 - 200 bps).

6 ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Goods and services taxes payable to the Government of Canada as at December 31, 2016 were $NIL (2015 - $NIL) and are included in accounts payable and accrued liabilities.

7 OTHER LONG-TERM LIABILITIES

	As at December 31	
	2016	**2015**
Security deposits (a)	$ 3,368	$ 3,320
Retiring allowance (b)	227	321
	3,595	3,641
Less: Current portion		
Security deposits (a)	1,610	1,572
Retiring allowance (b)	227	321
	1,837	1,893
	$ 1,758	$ 1,748

a. The Authority receives cash security deposits or letters of credit from commercial operators and new airline operators to provide the Authority with security on the associated potential accounts receivable.

b. The Authority no longer has the obligation to accrue a retiring allowance for all permanent employees. The value outstanding is the accrued amount deferred by employees until retirement.

8 FORWARD STARTING INTEREST RATE SWAP CONTRACTS

The Authority established an interest rate hedge program (the "Hedge Program") to manage interest rate risk on its anticipated future long-term borrowings associated with the major expansion of airport infrastructure. The purpose of the Hedge Program and Swap Contracts was to fix the effective rate of interest at approximately 5% on anticipated borrowings for the Airport Development Program that commenced in 2011.

The Hedge Program consisted of the placement of 17 quarterly forward starting interest rate swap contracts (the "Swap Contracts") placed with the Toronto Dominion Bank (the "TD Bank"). The term, notional amount and timing of the Swap Contracts were based on the Authority's forecasted borrowing profile over the quarterly periods from March 2011 to March 2015. The anticipated borrowings were made by debenture under the Credit Agreement (the "Credit Agreement") with the Alberta Capital Finance Authority (the "ACFA"). The first Swap Contract settled in March 2011 and the remaining 16 contracts settled in each consecutive subsequent quarters through March 2015.

The Swap Contracts were secured by an initial cash deposit of $60.0 million and additional cash security, in minimum increments of $5.0 million, was required when the mark to market (the "MTM") value of the Swap Contracts was greater than negative $85.0 million. Correspondingly, the Authority had the right to margin call any excess amounts over the $85.0 million, in similar $5.0 million increments, in the event the MTM value of the contracts diminished by $5.0 million or more. The MTM was determined and quoted by TD Securities.

The Swap Contracts were placed at various fixed interest rates ranging from 4.85% to 5.30% on the notional debt principal amounts ranging from $13 million to $137 million. The Swap Contracts MTM value was derived by comparing the present value of each original Swap Contract to the present value of equivalent swap contracts with the same notional value and term, but at current rates. The total loss in the fair value of the Swap Contract in 2016 was $NIL (2015 –$4.9 million). There were no cash settlement for Swap Contracts in 2016 (2015 - $30.7 million).

9 LONG-TERM DEBT

The Authority's Credit Agreement with ACFA was amended in December 2014 and has a maximum credit commitment of $2.99 billion to finance the construction and acquisition of Airport infrastructure. Borrowings under the Credit Agreement are secured by a Fixed and Floating Charge Debenture including Assignment of Leases and Rents.

The ACFA debentures issued and outstanding prior to December 31, 2003 (series 2002) require annual interest payments on the anniversary date of issue, while all debentures issued subsequent to December 31, 2003 require semi-annual interest payments. Throughout the period when any debentures are outstanding, the Authority is required to maintain an interest coverage ratio, as defined, of not less than 1.25:1 and net cash flow greater than zero, as determined as of the end of any fiscal quarter on a rolling four fiscal quarter basis. The Authority is in compliance with all required debt covenants. The coverage ratio at December 31, 2016 was 1.82:1 (2015 - 2.14:1).

9 LONG-TERM DEBT (continued)

The bullet debentures issued and outstanding under the Credit Agreement are:

thousands of dollars			As at December 31	
			2016	**2015**
Series	Interest Rate	Due Date	Debenture Amount	Debenture Amount
2002-4	6.0625%	February 15, 2017	$ 50,000	$ 50,000
2002-8	6.3125%	April 2, 2017	25,000	25,000
2002-9	6.0625%	December 16, 2022	70,000	70,000
2004-10	5.1245%	December 1, 2023	20,000	20,000
2005-13	4.9590%	April 6, 2020	25,000	25,000
2007-14	4.7950%	February 15, 2027	50,000	50,000
2010-15	4.6790%	February 16, 2025	25,000	25,000
2010-16	4.6640%	March 15, 2025	30,000	30,000
2011-19	4.5440%	March 15, 2031	13,000	13,000
2011-20	4.2760%	June 15, 2031	25,000	25,000
2011-21	3.7575%	August 11, 2031	100,000	100,000
2011-22	3.8080%	September 19, 2031	100,000	100,000
2011-23	3.5590%	December 15, 2031	75,000	75,000
2012-24	3.4750%	February 15, 2032	50,000	50,000
2012-25	3.4670%	March 15, 2032	137,000	137,000
2012-26	3.4140%	April 2, 2032	25,000	25,000
2012-27	3.4200%	June 29, 2032	200,000	200,000
2012-28	3.4005%	September 17, 2032	86,000	86,000
2012-29	3.2460%	October 4, 2032	75,000	75,000
2012-30	3.1340%	December 17, 2027	109,000	109,000
2013-31	3.2580%	March 15, 2028	89,000	89,000
2013-32	3.4090%	June 17, 2028	98,000	98,000
2013-33	4.2580%	September 16, 2033	113,000	113,000
2013-34	4.0590%	December 1, 2033	107,901	107,901
2014-35	3.8550%	March 17, 2034	83,000	83,000
2014-36	3.5130%	June 16, 2029	200,000	200,000
2014-37	3.2930%	September 16, 2029	100,000	100,000
2014-38	3.1550%	December 15, 2029	150,000	150,000
2015-39	2.7900%	March 16, 2030	125,000	125,000
2015-40	2.6780%	June 15, 2025	100,000	100,000
2015-41	2.9800%	September 15, 2030	150,000	150,000
2016-42	2.3760%	March 15, 2026	50,000	-
2016-43	1.4450%	June 15, 2021	50,000	-
2016-44	2.2250%	September 15, 2026	50,000	-
2016-45	3.4899%	December 15, 2036	60,000	-
			2,815,901	2,605,901
Less: Current portion			(75,000)	-
			$ 2,740,901	$ 2,605,901

(thousands of Canadian dollars, except percentage)

9 LONG-TERM DEBT (continued)

The Authority has a Letters of Credit Facility ("L/C Facility") with the Toronto-Dominion Bank to a maximum of $55.0 million for issuance of Letters of Credit in respect to requirements under the Credit Agreement to secure 50% of the annual interest payable to ACFA. The L/C Facility is secured such that it ranks pari passu with the Credit Agreement. At December 31, 2016, the contingent indebtedness under the L/C Facility was $31.3 million (2015 - $27.7 million). The L/C Facility fees for issuing letters of credit is 55 bps (2015 - 55 bps). Debenture series 2002-4 that became due on February 15, 2017 was rolled over and reissued for 25 years at an interest rate of 3.6430%. Debenture series 2002-8 is due on April 2, 2017 and it will be rolled over and reissued.

10 INCOME TAXES

Pursuant to the Canada Lease, income that may reasonably be regarded as being derived from airport business is exempt from federal and provincial income taxes. All reported income in 2016 and 2015 is considered to be derived from airport business and therefore, exempt from income tax.

11 OPERATING LEASE COMMITMENTS

The Authority pays an annual lease rental payment based on a sliding scale percentage, to a maximum of 12%, of gross revenue to Transport Canada pursuant to the Canada Lease.

The estimated lease rental payment obligations over the next five years are:

2017	$	40,099
2018		42,172
2019		44,272
2020		46,578
2021		48,769

The Authority is committed to payments under operating leases for vehicles and office space for the next five years amounting to:

2017	$	760
2018		293
2019		277
2020		211
2021		68

12 PENSION FUNDS

The Authority sponsors a registered pension plan (the "Plan") for its employees that has both defined benefit and defined contribution components. The defined benefit plan was closed to new employees effective August 1, 2013. For certain individuals whose benefits are limited under the Plan, that portion that is in excess of the maximum benefits permitted under the Plan by the Canada Revenue Agency is payable out of the Authority's revenue and charged to a notional pension expense. Pensions payable from the defined benefit components are generally based on a member's average annual earnings near retirement and indexed annually to 100% of the Canadian Consumer Price Index. The Authority accrues its obligations and related costs under the Plan, net of Plan assets.

(thousands of Canadian dollars, except percentage)

12 PENSION FUNDS (continued)

The Authority has adopted various policies in respect to the Plan.

a) The cost of pensions under the defined benefit component earned by employees is actuarially determined using a funding valuation for the Registered Plan and an accounting valuation for the Non-Registered Plans which was the projected benefit method and assumptions for the discount rate, salary escalation and retirement ages of employees.

b) The pension cost for the defined contribution component is equal to the contributions made by the Authority to the Registered Plan during 2016.

c) Registered Plan assets are valued at fair value.

d) At December 31, 2016, the assets for the defined benefit component were invested in various pooled funds managed by Pyramis Global Advisors, a Fidelity Investments Company and certain TD Securities index funds.

e) The Authority defined benefit obligation is actuarially determined. Gains and losses arise because of changes in assumptions and from experience differing from what has been assumed. Under CPA Canada handbook section 3462, these gains and losses are recognized immediately in the Statements of Operations and Net Assets.

f) Differences in the actual return on plan assets and the return using the discount rate are recognized immediately in the Statements of Operations and Net Assets.

g) The last actuarial valuation for funding purposes of the Plans was prepared as at January 1, 2016. The next scheduled actuarial valuation of the Plans for funding purposes will be performed as at January 1, 2017.

h) The Authority uses a December 31 measurement date.

The Authority's net pension cost for 2016 amounted to $7,191 (2015 – $594) for the defined benefit component and $649 (2015 – $435) for the defined contribution component, and the pension expense in respect of the notional account is $130 (2015 – $85). Remeasurement costs for 2016 amounted to $5,689 (2015 – negative $872). In 2016, $2,770 (2015 - $2,545) of the cost has been recognized in salaries and benefits.

The following table provides information concerning the components of the pension cost (recovery)

		2016		2015
Service cost	$	2,125	$	2,025
Notional account benefit cost		130		85
Defined contribution benefit cost		649		435
		2,904		2,545
Finance cost		(623)		(559)
Difference between expected and actual return on assets		372		(1,648)
Actuarial loss		5,317		776
Total Net Benefit Cost	$	7,970	$	1,114

(thousands of Canadian dollars, except percentage)

12 PENSION FUNDS (continued)

Based on an actuarial valuation dated January 1, 2016, and extrapolated to December 31, 2016, the status of the Authority's Plan is as outlined below.

	2016			2015		
	Registered Plan	Non-Registered Plans	Total	Registered Plan	Non-Registered Plans	Total
Defined Benefit Liability (asset)	$ (24,649)	$ 14,278	$ (10,371)	$ (21,704)	$ 14,243	$ (7,461)
Net Benefit Cost						
Defined Benefit	4,565	2,626	7,191	391	203	594
Notional Accounts	-	130	130	-	85	85
Company defined benefit contributions	(2,983)	(652)	(3,635)	(3,336)	(253)	(3,589)
Defined Benefit liability (asset)	$ (23,067)	$ 16,382	$ (6,685)	$ (24,649)	$ 14,278	$ (10,371)

	2016	2015
Market value of Plan assets	$ 101,111	$ 93,916
Pension benefit obligations	94,426	83,545
Pension asset	$ 6,685	$ 10,371

Accrued pension benefit obligations as of December 31, 2016 includes $16.4 million (2015 – $14.3 million), which will be funded from the Authority's general revenues rather than Plan assets. This pension obligation is pursuant to the Letter of Undertaking signed June 1992, which guaranteed that benefits earned after the Plan's effective date will not be less than the pension and indexing provisions under the Public Service Superannuation Act and the Supplementary Retirement Benefits Act (Minimum Guarantee) in respect of eligible Plan members at that date.

The Authority's policy is to invest fund assets primarily in a balanced or diversified manner in accordance with the Pension Benefits Standards Act, with set maximums and minimums in Fixed income securities, Canadian equities, Foreign equities and Short-term investments. The asset allocation of the defined benefit balanced fund at December 31 was:

	2016	2015
Fixed income securities	46%	47%
Canadian equities	17%	15%
Foreign equities	37%	38%
Short-term investments	0%	0%

(thousands of Canadian dollars, except percentage)

12 PENSION FUNDS (continued)

The significant actuarial assumptions adopted in measuring the Authority's pension benefit obligation are:

	2016		2015	
	Registered Plan	Non-Registered Plan	Registered Plan	Non-Registered Plan
Discount rate				
a) Year-end pension benefit obligation	5.20%	3.75%	5.60%	4.00%
b) Net benefit cost	5.20%	4.00%	5.60%	4.00%
Rate of salary increases	2.75%	2.75%	2.75%	2.75%
Pre/Post retirement indexing	2.00%	2.00%	2.00%	2.00%

Other information about the Authority's Plan is:

	2016	2015
Employer contributions (defined benefit and minimum guarantee)	$ 1,686	$ 1,588
Employer special contribution (defined benefit)	1,289	1,741
Employer contributions (defined contribution)	649	435
Employee contributions (defined contribution)	1,035	811
Benefits paid	2,770	2,254

The employer special contribution of $1.3 million (2015 - $1.7 million) was the required annual payment in 2016 to fund the solvency deficiency as determined by the January 1, 2016 actuarial valuation.

13 FINANCIAL ASSETS AND LIABILITIES

Risk Management

The Authority's Board is responsible for understanding the principal risks of the business in which the Authority is engaged, achieving a proper balance between risks incurred and the legislated purpose of the Authority and confirming that there are systems in place that effectively monitor and manage those risks with a view to the long-term viability of the Authority. The Board has established the Audit and Finance Committee, which reviews significant financial risks associated with future performance, growth and lost opportunities identified by management that could materially affect the Authority's ability to achieve its strategic and operational targets. The Board is responsible for confirming that management has procedures in place to mitigate identified risks.

13 FINANCIAL ASSETS AND LIABILITIES (continued)

Credit Risk

Credit Risk is the risk that one party to a financial instrument will cause a financial loss to another party by not realizing its obligation. The Authority is subject to credit risk through its accounts receivable, which consist primarily of aeronautical fees and Airport Improvement Fees owing from air carriers and concession fees owing from concession operators. The majority of concession fees owing are settled on a monthly basis 15 days after the end of each month. The majority of aeronautical fees owing are billed every 7 days and settled 15 days thereafter. The majority of Airport Improvement Fees owing are settled on a monthly basis on the first day of each subsequent month. Accounts receivable credit risk is reduced by the Authority's requirement for letters of credit, customer credit evaluations and maintaining an allowance for potential credit losses. The Authority's right under the Airport Transfer (Miscellaneous Matters) Act to seize and detain aircraft until outstanding aeronautical fees are paid mitigates the risk of credit losses. At December 31, 2016, the aging analysis of accounts receivable identified no significant impairments.

Liquidity Risk

Liquidity Risk is the risk that the Authority will encounter difficulties in meeting obligations of financial liabilities. The Authority maintains a strong liquidity position and sufficient financial resources to meet its financial obligations as they become due. The Authority manages its liquidity risks by maintaining adequate cash and credit facilities, by updating and reviewing multi-year cash flow projections on a regular and as-needed basis and by matching its long-term financing arrangements with its cash flow needs. The Authority achieves mitigation of liquidity risk through funds generated by operations and ready access to sufficient long-term funds as well as committed lines of credit through a credit facility. The Authority has a policy to invest its cash balances in short-term pooled money market funds whose underlying investment policy restricts these investments to federal and provincial government securities and in securities of larger, high investment-grade rated Canadian institutions.

Foreign Currency Risk

Foreign Currency Risk is the risk that fluctuations in foreign exchange rate impact the financial obligations of the Authority. The Authority's functional currency is the Canadian dollar, and major purchases and revenue receipts are transacted in Canadian dollars. Management believes that foreign exchange risk from currency conversions is negligible.

Interest Rate Risk

Interest rate risk arises because of fluctuations in interest rates. The Authority is exposed to interest rate risk on its cash in interest-bearing accounts, short-term investments and its operating line of credit which are maintained to provide liquidity while achieving a satisfactory return. The Authority is also exposed to interest rate risk associated with future borrowings and refinancing requirements and the Authority's Hedge Program and Swap Contracts were established to offset and mitigate these risks (Note 8).

Market Risk

The Authority has no market risk other than the Foreign Currency Risk and Interest Rate Risk noted above.

(thousands of Canadian dollars, except percentage)

14 DIRECTORS' AND OFFICERS' REMUNERATION AND EXPENSES

(all figures in this note expressed in whole dollars ($))

In compliance with the Authority's governance practices and as required by the Regional Airports Authorities Act (Alberta) and the Canada Lease, the Authority outlines individually the Directors' and Officers' remuneration and in the aggregate their respective remuneration and expenses.

a) Authority Directors' Remuneration and Expenses

The remuneration schedule for the Board of Directors during 2016 was as follows:

Non-executive Authority Chair	$	80,000	per annum
Committee Chairs		6,500	per annum
Directors (excluding Authority Chair)		12,000	per annum
Board meeting fees		1,250	per meeting
Board Committee meeting fees		1,250	per meeting
Ad hoc meeting fees		1,250	per meeting
Telephone attendance meeting fees		625	per meeting

Total compensation during 2016 for each Director:

Belich, Mel F. (Chair)	$	147,500
Allen, Terry L.		33,375
Benke, L.M. (Larry)		38,500
Blom, David		12,242
Casey, Michael F.		77,875
Cormack, Don		15,992
Delkus, Kristine L.		45,750
Foy, Beverley K.		28,690
Fraser, Wendelin A.		39,125
Heffernan, Matthew	$	40,125
Hotchkiss, Richard J.		60,375
Ingram, Donald R.		46,625
Kennedy, Heather		26,375
King, Ken M.		31,375
MacEachern, Grant B.		32,625
Midwinter, James		29,500
Safran, Laura M.		27,000
Sigler, Murray		68,500

Total remuneration for the Board of Directors during 2016 was $801,549 (2015 – $719,558). Expenses incurred by Authority Directors during 2016 totalled $13,103 (2015– $5,082). Changes to the Authority's Board of Directors during 2016 were as follows:

Appointed:	August, 2016	Blom, David Cormack, Don
Term Completed:	August, 2016	Foy, Beverley K

(thousands of Canadian dollars, except percentage)

14 DIRECTORS' AND OFFICERS' REMUNERATION AND EXPENSES (continued)

b) Authority Officers' Remuneration and Expenses

Officer Position	Incumbent as of December 31, 2016	Base salary as of December 31, 2016
President & CEO	Garth F. Atkinson	$ 459,000
VP Operations	Bernie R. Humphries	259,114
VP Planning & Engineering	Marco A. Mejia	250,639
VP Finance & CFO	Robert J. Palmer	250,000
VP & Chief Information Officer	Mike P. Maxwell	240,000
VP Human Resources	Cynthia M. Tremblay	237,532
Senior VP & Chief Commercial Officer	Vacant	-

The President & CEO retired effective December 31, 2016 and the Senior VP & Chief Commercial Officer left the Authority's employment on November 21, 2016. Total remuneration to Officers during 2016 was $4,548,291 (2015 – $3,430,224). Expenses incurred by Authority Officers during 2016 totalled $528,718 (2015 – $529,421).

15 RELATED PARTY TRANSACTIONS

During the year, the following related party transactions occurred with individuals who are Board members of the Authority. These transactions were recorded at the exchange amount.

Mr. Richard Hotchkiss, Director of the Authority, is the President and CEO of Sunwest Aviation Ltd. ("Sunwest"). Sunwest leases land at YYC Calgary International Airport providing both hangar and aviation charter services. Sunwest made payments to the Authority in respect to the land lease and aeronautical fees in 2016 of $1,152.0 (2015 - $1,321.0), which are included in revenue under Land rental, Aircraft landing fees and Other Aeronautical. Included in accounts receivable is an amount due from Sunwest of $35.4 (2015 - $41.7).

Mr. James Midwinter, Director of the Authority, is the Executive Vice President Development of GWL Realty Advisors ("GWLRA"). GWLRA, and it's related entities have land leases at the YYC Calgary International Airport and in 2016 have paid $910.7 (2015 – $901.7) in lease payments. Included in accounts receivable is an amount due from GWLRA of $NIL (2015 – $NIL)

16 SUPPLEMENTARY INFORMATION

		2016	2015
a)	**Cash Interest Paid and Received**		
	Interest paid	$ 96,208	$ 89,065
	Interest income received	439	1,745
b)	**Interest Expense**		
	Interest on long-term debt	$ 47,064	$ 40,671
	Other interest expense	102	96
		$ 47,166	$ 40,767

17 CONTINGENCIES

The Authority is party to legal proceedings in the ordinary course of business. Management does not expect the outcome of any proceeding to have a material adverse effect on the financial position or results of operations of the Authority.

In 2006, the Authority became a subscriber to the Canadian Airports Reciprocal Insurance Exchange ("CARIE"). CARIE was established for the purpose of collectively insuring airport property by permitting the subscribers to exchange reciprocal contracts of indemnity or inter-insurance as provided for in applicable legislation. CARIE has purchased full property reinsurance in excess of $2.0 million per occurrence and $4.0 million in aggregate, with subscribers carrying $100,000 deductible per occurrence. The Authority made a subscriber's contribution to CARIE in respect to possible future property losses and additional premiums attributable to CARIE, based on the Authority's total insured property value as compared to the total insured property value of the seven subscribing airports. The contribution to CARIE is carried by the Authority as a prepaid expense in 2016 was $320.4 (2015 - $320.4).

In June 2011, the Authority entered into a Tunnel Sublease and Licence (the "Tunnel Agreement") with the City of Calgary (the "City"). The Tunnel Agreement, which expires June 29, 2072, requires the City to extend Airport Trail east, across airport lands and, among other things, to construct, operate and maintain an associated tunnel under Runway 17L-35R. Under the terms of the Tunnel Agreement the Authority will provide all required airport lands at no cost to the City. The Tunnel Agreement also provides for a cost-sharing arrangement regarding future interchanges along Airport Trail at 19th Street and Barlow Trail. The first phase of these interchanges, which will enhance access to and egress from airport facilities. The second phase of the interchanges, or components thereof, will be constructed when traffic volume service levels at the first phase of interchanges reach a proscribed level and, at that time, the Authority has agreed to contribute 50% towards the acquisition cost of the necessary third party land and the associated construction project. Discussions with the City are currently underway for the design and timeframe for the subsequent construction of interchanges. Upon completion of these discussions, the Authority will have an obligation to contribute $20 million toward the associated costs of the first phase of the interchanges.

18 COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to the presentation adopted in the current year.

AUTHORITY EMPLOYEES

Ackerman, Nedine
Adams, Blaine
Adams, Christopher
Adamson, Merilee
Adelantar, Ashley
Ahern, Kent
Ahmed, Michael
Allana, Shahid
Allen, Arthur
Allen, Bobbi
Amos-Terpstra, Jonathan
Anderson, Bill
Armstrong, Chris
Arnott, Billie-Jo
Arsenault, Garnette
Arteau, John
Ashlee, Sean
AuCoin, Byron
Barry, Pennie
Baxter, Greg
Beard, Sherry
Bellamy, Michael
Bentley, Susan
Berger, Chad
Bierkos, Amanda
Blacklock, Peggy
Blayney, Derek
Bliss-Richer, Natascha
Bloch, Micheal
Borgo, Lori
Botero, Zuller
Boyd, Nathalie
Bremer, Kirsten
Brewin, Tania
Brown, Cindy
Brown, Jason
Bruce, Brittany
Bruce, Shelley
Canas, Michael
Carr, Kari
Castrillon, Daniel
Chan, Ray
Charlesworth, Stephen
Cheng, Paul
Chin, Christine
Chisan, Brent
Chowdhury, Tanvir
Chua, Sam
Clark Hatch, Shannon
Clarke, Danny
Coles, Danny
Cook, Art
Cook, Ryan
Cormier, David
Corradetti, Dean
Correa, Francisco
Corry, Jacqueline
Costain, Derek
Crutchley, Dionne
Culshaw, Jesse
Dancause, Stephanie
Davis-Hall, Suzanne
Deang, Christopher
Delorme, Kevin
Demers, Stacy
Den Boer, Mike
Deo, Pratic
Devlin, Colleen
Dillon, John
Dueck, Mark
Dushinski, CJ
Easton, Peter
Eng, Robin
Epp, Les
Erskine, Jackie
Evaskevich, Patti
Falk, Gord
Fang, Allen
Feenstra, Kyler
Ferguson, Barry
Flette, Dale
Foster, Ashley
Francoeur, Doug
Fredette, Gerry
Gadhoke, Ashvin
Gaida, Brad
Galambos, David
Gamboa, Ivonne
Gannoruwa, Anu
Gayle, Chris
Gayle, Karina
Gerrard, Emily
Giroux, Kayla
Grant, Jim
Gray, Cathy
Green, Becky
Green, George
Grey, Debi
Grove, Justin
Guillemaud, Shawn
Guzzwell, Rob
Hanlon, Kerri
Harris, Stephanie
Haugan, Stephanie
Hayher, Amitpal
Heath, Mike
Heffernan, Kevin
Herback, Paul
Heshami, Naghmeh
Hexspoor, Carolynn
Higuerey, Mariel
Hilton, Jackie
Hine, Ron
Hobbs, Kim
Hof, Tim
Hoffer, Wade
Horne, Laura
Huisman, Jason
Humphries, Bernie
Hunchak, Rod
Hutchinson, Craig
Hutchinson, Raymond
Ingram, Brad
Ip, Anita
Janssen, Betty
Jaswal, Kash
Jensen, Darin
Johnston, Scott
Jones, Doug
Kadwal, Kulwant
Kaleem, Moe
Kindrat, Gary
Kirk, Bernadette
Kirk, Darcy
Klein, Paulette
Klotz, Roland
Knoop, Meagen
Knowles, Sharon
Koenig, Jennifer
Kolsun, Don
Kornelson, Cliff
Koshowski, Natasha
Kutac, Stefan
Labey, Teresa
Lange, Kristy
Lassaline, Emily
Latimer, Steve
Lavigne, Len

Lawn, Alan
Leduke, Shauna
Leedham, Simon
Leroux, Ruth
Liakhar, Irina
Lightfoot, Jim
Liska, Bryan
Liu, John
Lockyer, Rebecca
Lyndon, Jaci
Machalek, Darren
Mackay, Mark
Mackinnon, Duncan
Mafra, Diogo
Maher, Derek
Maher, Elise
Maher, Kaleigh
Mahoney, Shannon
Main, Darlene
Mantle, Sara
Marshall, Brian
Martsch, Sheila
Maxwell, Mike
Mazur, Lauren
McClung, Russ
McGovern, Karen
McLeod, Roy
McNichol, Jill
Meads, Sarah
Mejia, Marco
Mellon, Falon
Millar, Randy
Montilla, Jona
Moseley, Jody
Munn, Evelyn
Murray, Ryan
Muth, Wendi
Myers, Joanne
Nantel, Rebecca
Nattress, Jordan
Nayeem, Noor
Nelson, Colin
Nelson, Sarah
Nguyen, Quoc
Nicolson, Cameron
Niergarth, Cathy
Olmstead, Shannon
Oshiro, Devon
Oshust, Laura
Ostensoe, Derek
Ouellette, Krista
Owoc, Adam
Pajak, Ola
Palmer, Rob
Papp, Dennis
Partington, Brian
Pavlich, Seth
Pelletier, Devan
Perez Gonzalez, Joiner
Perez, Cesar
Pessanha, Matheus
Pezzetta, Candace
Pickett, Alex
Powroznik, Mark
Praestegaard, James
Price, Greg
Procyk, Christopher
Quinton, Gerry
Ralph, Robbie
Rasathurai, Tharshi
Raven, Nicole
Read, Matthew
Reddiar, Shanti
Rehill, Partap
Reid, Meghan
Reid, Thomas
Rigg, Mike
Roche, Megan
Rohling, Mary Ann
Rooney, Cliff
Ruel, Mark
Ruiz, Alberto
Rupert, Kellen
Rutten, Kees
Sands, Sean
Sartor, Bob
Saunders, Maureen
Schiffner, Bryan
Schuler, Yvette
Scott, Christina
Searcy, James
Sehn, Cory
Semenov, Alex
Serown, Mandeep
Shearing, Caroleigh
Sidhu, Ravjeet
Sitter, Robyn
Smith, Amanda
Smith, Bart
Smoliak, Chris
Snow, Lisa
Spindler, Chris
St. Louis, Annadelle
Stahl, Debbie
Stamp, Colette
Stanfield, Logan
Stevens, Henry
Stevenson, Kevin
Stock, Larry
Stockall, Dwight
Stolz, Paul
Stothers, Jenna
Sturtevant, Laura
Su, Eddie
Tai, Edwin
Tchir, Bryan
Tharakan, Mammen
Todd, Levi
Towler, John
Tremblay, Cynthia
Trnavskis, Melyssa
Tuazon, Jeffrey
Urbanowski, Sarah
Velez, Luna
Wakeford, Amanda
Wald, Michael
Wani, Raheel
Ward, Amy
Warme, Steve
Warsylewicz, Robyn
Waterhouse, Rich
Whittaker, Kevin
Whittaker, Shawnah
Wieczorek, Chris
Wighton, Christina
Wiseman, Jeff
Wong, Laura
Wood, Nigel
Wood, Simon
Woren, Sarah
Yates, Greg
Yates, Kim
Yu, Andy
Zachary, Shaun
Zyderveld, Leonard

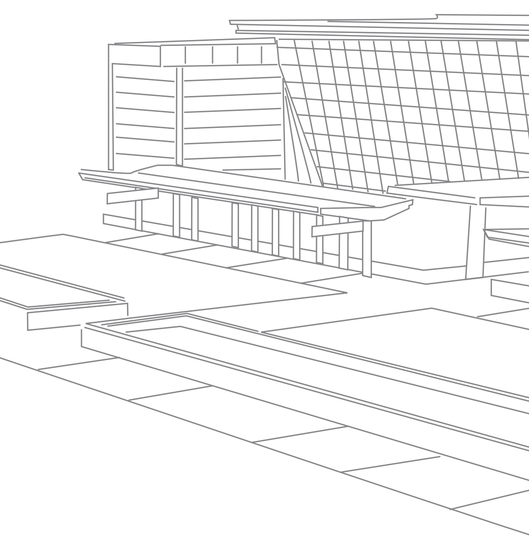
THE CALGARY AIRPORT AUTHORITY
2000 Airport Road NE
Calgary, AB T2E 6W5
Tel: 403 735 1200
Fax: 403 735 1281

CONNECT WITH US

@FlyYYC

FlyYYC

@Fly_YYC



YYC.com | YBW.ca